

**This English translation is provided for information purpose only. If any discrepancy is identified between this translation and the Japanese original, the Japanese original shall prevail**

June 25, 2014

REIT Issuer:

Japan Hotel REIT Investment Corporation (TSE code: 8985)  
Yukio Isa, Executive Director

Asset Management Company:

Japan Hotel REIT Advisors Co., Ltd.  
Hisashi Furukawa, Representative Director and President

Contact:

Kazuyuki Udo  
Director and Officer  
Management & Planning Office  
TEL : +81-3-6422-0530

Notice Concerning Acquisition of New assets  
(“Best Western Hotel Sapporo Nakajima Koen”)

This is to inform you that Japan Hotel REIT Advisors Co., Ltd., the asset management company of Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) has resolved to acquire the property below (hereinafter called “New asset”) today on behalf of JHR.

1. Summary of New asset

Name of New assets	Best Western Hotel Sapporo Nakajima Koen
Category of New assets	Beneficial interest in trust and movable assets of hotels
Asset type	Hotel
Classification	Limited service hotel
Grade	Mid-price
Rent type	Variable rent
Purchase price (*1)	JPY6,797,000,000.-
Conclusion of Sale and Purchase Agreement (*2)	June 25, 2014
Scheduled acquisition date	July 9, 2014
Seller (*3)	Global Asset Twenty One Holding Specified Purpose Company
Hotel tenant	Godokaisha Sapporo Hotel Holding (*4)
Acquisition funds (*5)	Borrowing and cash on hand
Collateral	Requested

(\*1) The purchase price is the scheduled price on the purchase and sale agreement. The purchase price does not include expenses for acquisition, fixed asset tax, city planning tax and consumption tax, etc.

(\*2) Condition precedent has been concluded with the seller to acquire the New asset on the acquisition date above. See “10. Condition Precedent” below for detail.

(\*3) See “6. Seller summary” for detail

(\*4) Hotel Management Japan Co., Ltd., interested party of JHR, is scheduled to acquire 100% employees’ shares of Godokaisha Sapporo Hotel Holding on the acquisition date above.

(\*5) See “Notice Concerning New Loan” dated today for borrowing.

2. Rationale for acquisition

JHR intends to provide investors with attractive investment opportunities in hotels that accommodate both stability and upside potential. We decided to acquire the New asset, as it is the asset which benefits this policy for the following reasons.

- (1) The asset is located in Sapporo and capable of attracting both domestic and international leisure travelers. Stable revenue as well as revenue enhancement in future can be expected.
- (2) The New asset will fill a blank of JHR's strategic investment area. Portfolio quality will be improved further through dispersing and expanding assets.
- (3) The New asset will contribute to improve and stabilize dividend per unit (DPU).

### 3. Feature of the New asset

#### (1) Feature of the New asset

The New asset is a limited-service hotel two minutes on foot from "Nakajima Koen" station of subway. It faces large street and is highly visible. "Nakajima Koen" station is the third station from "Sapporo" station of JR line, the center of the traffic, and it takes approximately ten minutes on foot from the New asset to the center of Susukino, an entertainment district. The New asset is situated at extremely convenient area.

The biggest feature of the New asset is guest room composition. The hotel has 278 guest rooms and all guest rooms are either twin room or double room with more than 30 square meters. A new building constructed three years ago and relatively large guest rooms are extremely strong competitiveness in addition to good access to station.

The New asset has already been successful in attracting both domestic and international business and leisure customers and enjoyed very high occupancy rate (around 90%) throughout 2013, the third year after the opening in 2010. Sapporo is not only a place for business but also a very popular travel destination among domestic and international travelers. Therefore, further upside is expected through increasing DOC(\*) by taking advantage of large guest rooms and attracting more international travelers in addition to growth of Sapporo market itself.

(\*) DOC: Double occupancy which represents average number of guests for one room.

#### (2) Allure of Sapporo market

According to the market report made by KPMG FAS dated May 2014, Sapporo city to which the New asset belongs to has approximately 2 million people as of March 2014. Following Tokyo (23 wards only), Yokohama, Osaka and Nagoya, Sapporo is the fifth biggest city designated by ordinance. Population growth ratio for the past ten years follows those of Fukuoka and Osaka. Moreover, in terms of the number of headquarters of public companies, Sapporo is ranked 8<sup>th</sup> in Japan. The number of passengers in Chitose Airport, entrance to Sapporo, is approximately 17 million people and is likely to increase. Domestic flights account for 94% in Chitose Airport but LCC (low cost carrier) for Korea also went into service in 2011 and the number of international flights has been increasing. LCC for domestic flights went into service in 2012 and increase in domestic travelers is expected as well. Furthermore, a new bullet train, "Hokkaido Shinkansen" is scheduled to be opened between "Shin-Aomori" station and "Shinhakodate Hokuto" station on 2015 and more sightseers are expected to visit Sapporo. Hokkaido Shinkansen is schedule to be extended to Sapporo on 2035. This extended railroad line will be eventually connected to the existing railroad from Tokyo, and if it is realized, this will contribute to the medium to long term growth of tourism industry in future.

With respect to sightseeing, Sapporo received 13 million visitors in the fiscal year 2012 and the number of travelers is increasing. Those who come from other areas of Hokkaido, those who come from other areas from Japan except for Hokkaido and international travelers account for 67%, 28% and 5%, respectively. Recently, international travelers are markedly increasing and the total number of travelers from Taiwan, Hong Kong, China and Korea account for 75% of all international travelers. Approximately 10% of those who visit Japan visit Sapporo and they are expected to increase further. During the first half of 2013, the number of international travelers who visited Sapporo increased by 48.3% compared with the same period previous

year, and those who come from countries to which government had eased visa requirements in July 2013, Thailand, Malaysia, and Indonesia, showed significant increase of 50%. The peak season of Sapporo market for both domestic and international travelers is August. Additionally, January and February are another peak season for international travelers, and it is expected to cover decrease in domestic travelers during this period.

With respect to hotels in Sapporo, the number of guest rooms has been flat since 2010. It was approximately 28,000 guest rooms in 2012. According to the market report made by KPGM FAS, there is only one hotel (limited service hotel with mainly single rooms) that plans to make inroads into this market as of today. Considering expected growth of demand, limited new supply is anticipated and the market is deemed to be stable market.

### (3) Implementation of variable rent scheme

As reported on above-mentioned “2. Rationale for acquisition”, “3. (1) Feature of the New asset”, and “(2) Allure of Sapporo market”, the hotel revenue of the New asset is stable and further growth is expected. In order to enjoy fruits of improved hotel revenue, JHR plans to manage the New asset with variable rent scheme.

The variable rent amount of the New asset is as follows:

$$92\% \times \text{Revised GOP}^*$$

\*Revised GOP: GOP – Expenses that are not included in calculation for GOP but necessary for operating hotel such as fees for operator and office tax, etc.

(\*) Gross Operating Profit: It is a representative management index for hotel operational abilities. Total departmental profits of hotel business (e.g., room sales, food and beverage sales, sales of goods and others) – Non allocated operating expenses (Administrative expenses such as labor cost or utilities cost that are not included in operating expenses of each department)

### 4. Portfolio after acquisition of the New asset

		Last forecast (*1)	Acquisition of new asset	After acquisition of new asset (*2)
No. of properties		27	1	28
Purchase price (plan)	JPY1M	157,632	6,797	164,429
Appraisal value	JPY1M	165,537	6,840	172,377
NOI yield	%	6.5	6.4	6.5
NOI yield after depreciation	%	5.0	5.3	5.0
LTV (purchase price)	%	46.9		49.0
Appraisal LTV	%	44.6		46.8

(\*1) LTV (Purchase price) and Appraisal LTV were calculated with interest-bearing debts as of the end of June 2014.

(\*2) Impact of this acquisition was calculated based on the premise that the New asset will be held throughout 2014.

## 5. Detail of the New asset

See attachment 1, “Detail of the New asset”.

## 6. Summary of seller

Name	Global Asset Twenty One Holding Specified Purpose Company
Headquarter	6-56-15 Kameido, Koto-ku, Tokyo
Representative	Kazuhiro Matsuzawa, Director
Capital	JPY100,000.-
Establishment	July 13, 2007
Major business	1. Transfer, management and disposition of specific assets according to the asset securitization plan pursuant to Act on Securitization of Assets. 2. All accompanied and related works required for securitization of specific assets above.
Relationship between the seller and JHR and its asset management company	
Capital relationship Human relationship Business relationship	JHR and its asset management company do not have any capital, human and business relationships that should be statutory reported with the seller. The related parties of JHR and its asset management company do not have any capital, human, and business relationships that should be specifically reported with the related parties of the seller.
Related parties	The seller does not come under the related parties of JHR and its asset management company. Related parties of the seller do not come under the related parties of JHR and its asset management company.

## 7. Status of the property buyer

There is no information that is statutory requested to report.

## 8. Summary of the intermediary

None

## 9. Transaction with the interested parties

On the scheduled acquisition date, 100% shares (employees' shares) of hotel lessee, Godokaiha Sapporo Hotel Holding will be acquired by Hotel Management Japan Co., Ltd. Pursuant to Article 201 of Act on Investment Trusts and Investment Corporation and Article 123 of the Enforcement Order of Act on Investment Trusts and Investment Corporation, Hotel Management Japan Co., Ltd. comes under the interested party, etc. as well as sponsor related party in accordance with Code for Transaction with Sponsor Related Party, an internal rules of the asset management company. Therefore, the asset management company has followed appropriate procedure (\*) for the sponsor related transaction prior to concluding building lease agreement for the fixed period with the hotel lessee.

(\*) Taking approvals from compliance committee that includes outside experts and board of directors meeting of JHR.

## 10. The agreement with condition precedent

In order to ensure acquisition of the New asset, JHR concluded the agreement with conditions precedent with the seller today. This agreement contains the special conditions where completions of financing or



fundraising to acquire the New asset (see our press release “Notice Concerning New Loan” dated today) is stipulated as the condition precedent to the effectuation of the agreement. In the event that JHR does not complete financing or fundraising for the New asset, the transfer agreement with condition precedent will be invalid without payment of penalty. JHR believes neither finance nor dividend source of JHR will be seriously impacted.

11. Settlement method

JHR will make payment through new loan and cash on hand, etc.

12. Schedule until settlement date

Resolution for the acquisition	June 25, 2014
Conclusion of Sale and Purchase Agreement	June 25, 2014
Settlement and transfer	July 9, 2014 (plan)

13. Future prospect

With respect to operating forecast for the period ending December 2014 (January 1, 2014 through December 31, 2014), acquisition of the New asset has only slight impact and no change is required.

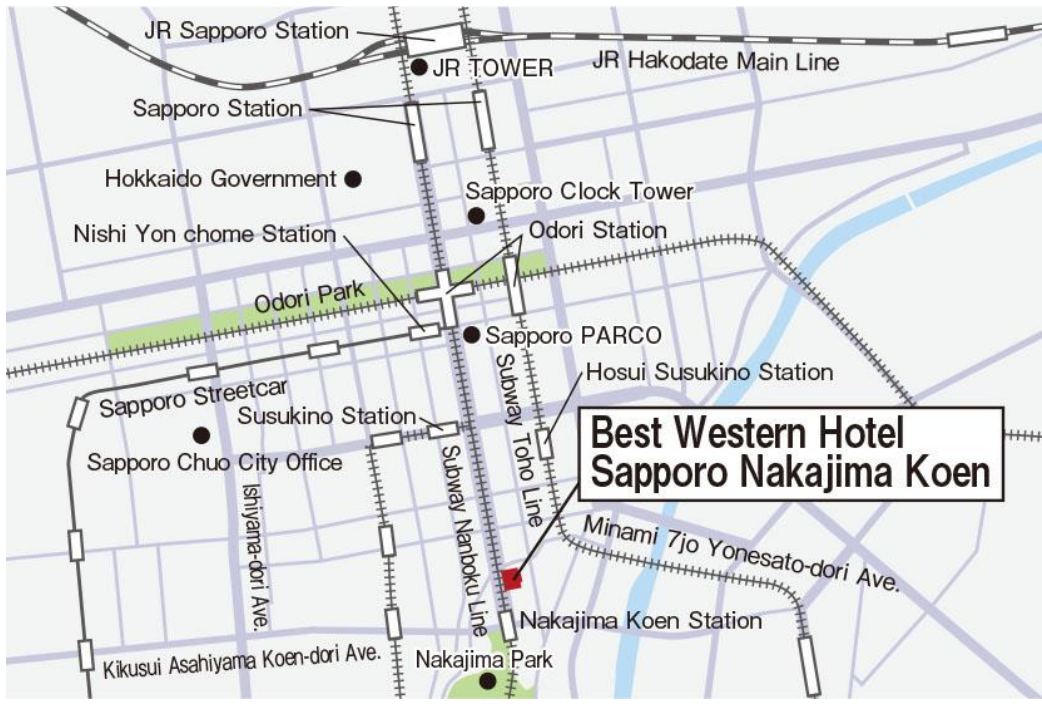
\*Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/>

## &lt;Attachment 1&gt; Detail of the New asset

Property No.	33	Property name	Best Western Hotel Sapporo Nakajima Koen			
<b>1. Asset summary (*1)</b>						
Asset category		Real estate beneficial interest in trust and movable assets (FF&E) attached to the hotel				
Acquisition date		July 9, 2014 (plan)				
Purchase price		JPY6,797,000,000.-				
<b>Appraisal value</b>		JPY6,840,000,000.- (See reference 1 for detail)				
<b>2. Summary of real estate (or trusted real estate) (*2)</b>						
Intended use of the property		Hotel / Limited service hotel				
Ownership	Land	Ownership				
	Building	Ownership				
Land	Plot No.	10-10, 10-11, 10-16 and 10-17, Minami 8jo Nishi 3-chome, Chuo-ku, Sapporo, Hokkaido				
	Address	10-10 Minami 8jo Nishi 3-chome, Chuo-ku, Sapporo, Hokkaido				
	Acreage	2,515.22 m <sup>2</sup>				
	Zoning, etc.	Commercial district, Semi-fire preventive district, Parking lots development district, Area for landscape planning				
	Building-to-land ratio	100%				
	Floor area ratio	600%				
Building	Structures and stories	Reinforced concrete building with flat roof. Sixteen stories above ground with one story below ground.				
	Intended use	Hotel				
	Completion	July 2010				
	Total floor space	14,992.49m <sup>2</sup> (*3)				
	Designer	Urban Design System Co., Ltd., Sapporo Office (present USD Ltd.) PhilDo Co. Ltd.				
	Constructor	Taisei Corporation, Sapporo office				
	Institute that confirmed building	Center of International Architectural Standard				
Present owner		Trustee: Mitsubishi UFJ Trust and Banking Corporation Beneficiary : Global Asset Twenty One Holding Specified Purpose Company				
<b>3. Traffic (*4)</b>						
Approximately two minutes on foot from “Nakajima Koen” station of subway Nanboku line.						
<b>4. Lease status</b>						
Total number of tenants		5				
Rentable area		14,992.49 m <sup>2</sup>				
Rented area		14,896.40 m <sup>2</sup>				
Annual contractual rent	Fixed rent	JPY26,266,000.-				
	Variable rent	With respect to the area leased by Godokaisha Sapporo Hotel Holding, rent linked with GOP will be paid.				
Deposit and guarantee money		Non-disclosure (*5)				
Change in occupancy rate for the past five years based on area	—	January 2011 to December 2011	January 2012 to December 2012	January 2013 to December 2013	January 2014 to May 2014	
	—	98.3%	99.4%	99.4%	99.4%	
<b>5. Related parties for hotel operation (*6)</b>						
Hotel lessee		Godokaisha Sapporo Hotel Holding				
Hotel operator and property manager.		K.K. Fino Hotels				
<b>6. Hotel website (*7)</b>						
<a href="http://www.bwhotels.jp/sapporo-nakajimakoen">http://www.bwhotels.jp/sapporo-nakajimakoen</a>						
<b>7. Summary of the building inspection report</b>						
Investigation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.				
Investigation date		As of May 7, 2014				
Repair cost	Urgently required	JPY0.-				
	Required within one year	JPY0.-				
	Total amount for another 12 years	JPY111,834,000.-				
Earthquake PML value (*8)		1.0%				
<b>8. Special remark (*9)</b>		None				

- (\*1) Asset summary
  - Asset category indicates category of real estate, etc.
  - Purchase price is the price stated on the Real Estate Purchase and Sale Agreement and does not include various expenses required to acquire the New asset (e.g., broker's fee).
- (\*2) Real estate (or trusted real estate) summary
  - Structure and stories, intended use of the building and completion of the building are taken from the real estate registration statement. However, if erroneous information is identified by investigation, correct information is stated.
  - Zoning, etc. (zoning, special zoning, fire preventive district, fire area and semi-fire preventive district) are stated based on Article 8, Clause 1-1, Clause 2, and Clause 5 of City Planning Act.
- (\*3) Total floor space
  - The total floor space includes accessory building (car park), 92.51m<sup>2</sup>.
- (\*4) Transportation
  - It is according to the information on the present operator's website.
- (\*5) Deposit and guarantee money
  - Deposit and guarantee money are not disclosed, as tenant and hotel lessee do not agree with disclosure.
- (\*6) Related parties for hotel operation
  - Hotel lessee indicates a lessee JHR has scheduled. Hotel operator and property manager indicate operator to be entrusted by lessee and property manager to be contracted by trustee, respectively.
  - Hotel lessee has concluded the management agreement with hotel operator who affiliates with Best Western, the worldwide hotel chains.
- (\*7) Hotel website
  - It is a website address of the present operator.
- (\*8) PML
  - PML (Probable Maximum Loss) is the anticipated damage ratio resulted from earthquake. Since no uniform definition has been made yet on PML, we used the following method. Probability and anticipated loss amount caused by the various earthquakes that may occur in another 475 years are evaluated and statistically processed to identify the anticipated percentage of loss amount against the building replacement cost. It has been calculated based on site inspection, assessment of building condition, confirmation of the consistency with the design document, ground investigation, local factors and structural investigation. Indicated PML is the PML on valuation detail (Phase 2) of the investigation company.
- (\*9) Special remarks
  - In principal, following is stated (1) Right or restriction based on the right of the third party except for tenant of the building (2) Important matters stipulated by the management rules, agreement or memoranda concluded with other co-owners of the strata-titled building and shared land, (3) Important restrictions stipulated by the administrative law to this property.
- (\*10) All numbers less than JPY1000 is rounded down.

<Attachment 2> Local characteristics and market summary

Local characteristics
<p>The New asset is a limited service hotel constructed three years ago. It is situated in Chuo-ku, Sapporo and two minutes on foot from “Nakajima Koen” station of subway Nanboku line which is the third station from JR Sapporo station, a center of traffic. The hotel is also near Susukino, an entertainment district with many restaurants and bars, and it takes only less than ten minutes on foot from the hotel to the center of Susukino district. Location is extremely convenient. The New asset is also near Sapporo North IC and guests do not have to go through crowded Sapporo station area to come to the New asset. The New asset is equipped with exclusive car park for hotel guests, and it must be extremely convenient for business customers or those who travel around Hokkaido by car.</p>
Market summary
<p>As of March 2014, Sapporo has approximately 2 million people following Tokyo (23 wards only), Yokohama, Osaka and Nagoya, and Sapporo is the fifth biggest city designated by ordinance. With respect to the population growth ratio for the past ten years, growth of Sapporo is ranked 3<sup>rd</sup> following Fukuoka and Yokohama among cities designated by ordinance. Moreover, the number of headquarters of the public companies in Sapporo is ranked 8<sup>th</sup> in Japan.</p> <p>In 2012, 13.04 million people visited Sapporo and the number of visitors increased by 870,000 compared with the previous year. The actual number of visitors to Sapporo during April 2013 through September 2013 exceeded that of the same months previous year. Those who come from Hokkaido, those who come from other areas of Japan, and international travelers account for 67%, 28% and 5%, respectively. Recently, the number of international travelers has sharply increased. Not only government’s policy to promote inbound travels such as easing visa requirements for some Asian countries but also depreciation of the yen and increase in available seats of LCC will contribute to expected growth of Sapporo market.</p> <p>Meanwhile, growth of hotel guest rooms has been flat since 2010 and the number of hotel guest rooms as of 2012 was 28,000. As of today, according to the publicly disclosed information, only one limited-service hotel with mainly single rooms will make inroads into Sapporo and the number of new supply in Sapporo market is limited against expected growing demand. Sapporo market is deemed to be stable.</p>
Map around the New asset


(\*) The above “Local characteristics” and “Market summary” are extracted or summarized information of real estate appraisal report and market research report made by Japan Real Estate Institute and KPMG FAS, respectively.

<Attachment 3: External appearance and interior of the New asset>



External appearance



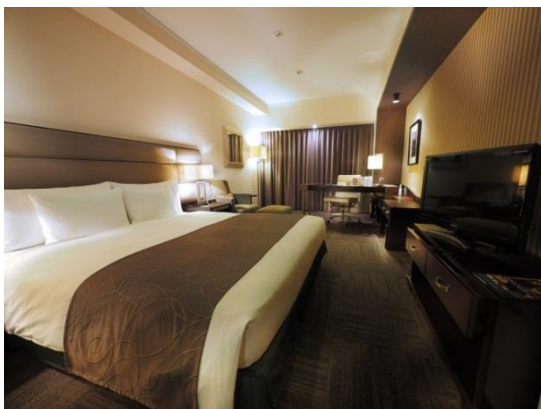
Lobby



Restaurant



Premier King Room



Superior Twin Room



<Reference 1> Appraisal report summary

Best Western Hotel Sapporo Nakajima Koen

<b>Summary of real estate appraisal report</b>	
Appraiser	Japan Real Estate Institute
Date of appraisal	May 26, 2014
Appraisal value	6,840,000,000
Price based on income	6,840,000,000
Price by direct capitalization method	6,880,000,000
Gross income	470,003,000
Rent income	469,954,000
Fixed rent	32,015,000
Variable rent	437,939,000
Other income	49,000
Total cost	48,860,000
Net operating income (NOI)	421,143,000
Net cash flow (NCF)	405,972,000
Cap rate	5.9%
Price by DCF method	6,790,000,000
Discount rate	5.7%
Terminal cap rate	6.1%
Price based on the integrated value	4,240,000,000
Land price	1,169,392,000
Building price	3,058,651,000
Price of FF&E	11,956,000

<Reference 2> The portfolio list after acquisition of the New asset

No.	Hotel	Type	Grade	No. of guest rooms (*1)	Area (*2)	Completion	Acquisition price (JPY1M)(*3)	Investment ratio (*4)
1	Kobe Meriken Park Oriental Hotel	Full-service	Upper-middle	319	Kansai	July 1995	10,900	6.6%
2	Oriental Hotel Tokyo Bay	Full-service	Mid-price	503	Kanto (excluding Tokyo)	May 1995	19,900	12.1%
3	Namba Oriental Hotel	Limited-service	Mid-price	257	Kansai	March 1996	15,000	9.1%
4	Hotel Nikko Alivila	Resort	Luxury	396	Okinawa	April 1994	18,900	11.5%
5	Oriental Hotel Hiroshima	Full-service	Upper-middle	227	Other	September 1993 (Extended in September 2006)	4,100	2.5%
6	Ibis Tokyo Shinjuku	Limited-service	Mid-price	206	Tokyo	September 1980	7,243	4.4%
8	The Beach Tower Okinawa	Resort	Mid-price	280	Okinawa	March 2004 (Extended in June 2005 and May 2006)	7,610	4.6%
9	Hakone Setsugetsuka	Resort	Mid-price	158	Kanto (excluding Tokyo)	October 2006	4,070	2.5%
10	Dormy Inn Kumamoto	Limited-service	Mid-price	294	Other	January 2008	2,334	1.4%
12	Dormy Inn Suidobashi	Limited-service	Economy	99	Tokyo	August 1986 (Extended in September 1989)	1,120	0.7%
13	Dormy Inn EXPRESS Asakusa	Limited-service	Economy	77	Tokyo	March 1997	999	0.6%
14	Hakata Nakasu Washington Plaza	Limited-service	Mid-price	247	Other	March 1995	2,130	1.3%
15	Nara Washington Hotel Plaza	Limited-service	Mid-price	204	Kansai	March 2000	2,050	1.2%
16	R&B Hotel Ueno-Hirokoji	Limited-service	Economy	187	Tokyo	April 2002	1,720	1.0%
17	R&B Hotel Higashi-Nihombashi	Limited-service	Economy	203	Tokyo	March 1998	1,534	0.9%
18	Comfort Hotel Tokyo Higashi-Nihombashi	Limited-service	Economy	259	Tokyo	January 2008	3,746	2.3%
19	Comfort Hotel Shin Yamaguchi	Limited-service	Economy	139	Other	August 2007	866	0.5%
21	Daiwa Roynet Hotel Akita	Limited-service	Economy	221	Other	June 2006	1,760	1.1%
22	Smile Hotel Nihombashi-Mitsukoshimae	Limited-service	Economy	164	Tokyo	March 1997	2,108	1.3%
23	Hotel Sunroute Niigata	Limited-service	Mid-price	231	Other	August 1992	2,105	1.3%
24	Toyoko Inn Hakataguchi Ekimae	Limited-service	Economy	257	Other	September 2001	1,652	1.0%
25	Hotel Vista Kamata Tokyo	Limited-service	Economy	106	Tokyo	January 1992	1,512	0.9%
26	Chisan Inn Kamata	Limited-service	Economy	70	Tokyo	April 2003	823	0.5%
29	Hotel Keihan Universal City	Resort	Mid-price	330	Kansai	June 2001	6,000	3.6%
30	Hotel Sunroute Shimbashi	Limited-service	Mid-price	220	Tokyo	March 2008	4,800	2.9%
31	Hilton Tokyo Bay Hotel	Resort	Luxury	818	Kanto (excluding Tokyo)	June 1988	26,050	15.8%
32	Ibis Styles Kyoto Station	Limited-service	Mid-price	215	Kansai	March 2009	6,600	4.0%
33	Best Western Hotel Sapporo Nakajima Koen	Limited-service	Mid-price	278	Other	July 2010	6,797	4.1%
	Total	—	—	6,965	—	—	164,429	100.0%

(\*1) No. of rooms available to sell as of today (rooms occupied by hotel for a long term is excluded.)

(\*2) Kansai represents Kyoto, Osaka, Shiga, Hyogo, Nara and Wakayama prefectures. Kanto (excluding Tokyo) represents Kanagawa, Chiba, Saitama, Ibaragi, Gunma, Tochigi and Yamanashi prefectures. Tokyo and Okinawa represent Tokyo Metropolitan area and Okinawa prefecture respectively.

(\*3) The purchase prices stated on the Purchase and Sales Agreement for the Beneficial Interest in Trust or Real Estate Purchase and Sale



Agreement are indicated (Consumption tax, local consumption tax and the acquisition expense such as broker's fee are not included.). The acceptance prices are indicated for the assets that have been accepted through the merger. The purchase price is indicated for the New asset.

- (\*4) The percentage of each purchase price to the total purchase price is indicated and the numbers are rounded off to one decimal place.
- (\*5) Numbers for the disposed assets (No. 7, No. 11, No. 20, No. 27 and No. 28) are missing numbers.